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THE ECONOMIC INTERPRETATION OF HISTORY.<sup>1</sup>

It is a favorable sign that economists are showing a tendency in recent years to "take the broad view," or to consider the bearings of economic facts and principles upon the broader questions of human progress and social development. In so far as sociology has as yet justified its existence, it is because of its emphasis upon these more fundamental problems. This by no means discredits the narrower view. Without some degree of specialization these facts and principles would not so readily have been mastered, but it is none the less true that their chief value is due to the light which they throw upon the wider problems of well-being and progress. Moreover, no one is so well qualified to interpret these facts and principles as the economist himself. The religionist, the moral philosopher, the biologist, and the sociologist have each had their turn, and their failure is due to their inability to grasp the fundamental importance of the economic factors. It is safe to say that the most valuable contributions in the field of sociology have been made by economists, but there is danger also that they may fail to give a complete and satisfactory theory of progress because of their under-estimation of the non-economic factors.

One who is acquainted with the ordinary meaning of words, but unacquainted with the way in which this particular expression has been used, would probably infer that the "economic interpretation of history" meant the interpretation of historical facts in the light of economic knowledge, just as the historical interpretation of economics means the interpretation of economic facts in the light of historical knowledge. If, however, one began reading on the subject he would soon find that the "economic interpretation of history" means the dogma that the economic factors have largely determined the course of history. It is to the discussion of this dogma that Professor Seligman has turned his brilliant pen.

The thesis is thus succinctly stated :

The existence of man depends upon his ability to sustain himself : the economic life is therefore the fundamental condition of all life. Since human life, however, is the life of man in society, individual existence moves within the framework of the social structure and is modified by it. What the conditions are to the individual, the similar relations of production and consumption

<sup>1</sup>EDWIN R. A. SELIGMAN, *The Economic Interpretation of History*, New York : Columbia University Press, 1902.

are to the community. To economic causes, therefore, must be traced in the last instance those transformations in the structure of society which themselves condition the relations of social classes and the various manifestations of social life. (P. 3.)

In so far as this statement of the thesis foreshadows the subsequent argument, it occurs to one as being singularly inconclusive. One might as well say the existence of man depends upon his ability to reproduce himself, and family life is therefore, etc.; or the existence of man depends upon his ability to defend himself, and military life is therefore, etc. Thus one might go on indefinitely adding to the number of causes which "in the last instance" determine the forms of social development. If it be retorted that the methods of gaining subsistence largely determine the forms of family and military life, the reply is that the forms of military and family life and the necessities of military defense also largely determine the forms of industry. The sexual impulse is quite as elementary as the desire for food, and it is to this elementary impulse that we owe the existence of the family, though its form is more or less modified by the conditions of subsistence, as well as by the spiritual, the moral, and the military conditions of the community. As to which precedes in point of time, it would be difficult to say, and the answer would be of no value even if it could be found out. The necessities of military defense, as Spencer has well brought out in his antithesis between the industrial and militant types of society, are quite as potent in the determination of social forms and usages, and religious and moral ideas and conceptions, as the necessities of subsistence can possibly be. Here again the question as to which precedes in point of time, the necessity for subsistence or the necessity for defense, is a matter of no consequence.

All this Professor Seligman admits in his later discussion, though he still inclines to put the primary emphasis upon the economic factors. That which one finds difficult to explain is the high rank which he gives to Karl Marx in the development of the doctrine of economic interpretation. If Marx's doctrine be interpreted as his chief expositor Engels states it in the *Communist Manifesto*, it is clearly not a tenable doctrine. Thus :

That in every historical epoch the prevailing mode of economic production and exchange, and the social organization necessarily following from it, form the basis upon which it is built up, and from which alone can be explained the political and intellectual history of that epoch; that consequently, etc.

This leaves unanswered what determines the "prevailing mode of economic production and exchange." To any careful student of social conditions it is evident that religious and moral ideals have a great deal to do with it.

But if it is interpreted as his apologists would have us interpret it, namely, that the economic activities are among the most important of human activities, and therefore modify, *more or less*, the whole fabric of the social organization, it is so obvious as to need no philosopher to tell us of it. So far as the present writer is aware, no one has written a book to prove that food is necessary for the subsistence of mankind; but if upon this proposition as a basis some one should develop a theory of population, as Malthus did, his greatness would depend upon the soundness of the theory of population, and not upon the truth of this elementary proposition; and it is in this way that Marx's greatness must be tested. In spite of Professor Seligman's contention that Marx's interpretation of history has nothing to do with his theory of socialism, no one can read Marx carefully without seeing that in his own opinion the two are inseparably connected. It was upon the basis of his materialistic conception of history, together with his theory of surplus value, that he worked out his theory of socialism. His theory of socialism could no more rest solely upon his theory of surplus value than it could rest solely upon the theory of the materialistic conception of history. Marx's greatness, therefore, must be tested by the use which he made of the doctrine, rather than by the correctness of the fundamental proposition. He could not even claim originality for the elementary idea that the necessities of economic life largely determine the forms of social organization. If there is anything which Malthus labored to prove, it was that the necessities of economic existence rendered impossible, at least until human nature changed, the socialistic form of organization. If this means anything, it means that the form of social organization is largely conditioned upon the necessities of economic existence. One might as well base Henry George's claim to greatness upon the doctrine of the *unearned increment*. As every student of *Progress and Poverty* knows, the thing that characterizes that work is the use which he makes of the doctrine of the unearned increment, and not the development of the doctrine itself, his thesis clearly being that the absorption of rent by a private land-owning class is the cause of poverty, and that the cure for poverty is the nationalization of land values. His claim to greatness, therefore, must rest upon the soundness of that thesis. Tested in this way, both

Marx's *Capital* and Henry George's *Progress and Poverty* must be placed in the category of crank literature rather than among the great economic treatises.

In view of these facts, one is not a little surprised to find Professor Seligman saying :

And while Marx was a failure in practical life, he was a giant as a closet philosopher. Whether or no we agree with Marx's analysis of industrial society, and without as yet attempting to pass judgment upon the validity of his philosophical doctrine, it is safe to say that no one can study Marx as he deserves to be studied—and, let us add, as he has hitherto *not* been studied in England or America—without recognizing the fact that, perhaps with the exception of Ricardo, there has been no more original, no more powerful, and no more acute intellect in the entire history of economic science. (Pp. 55, 56.)

This would be true if we estimated the greatness of the book by the amount of gray matter consumed in its writing, but on this basis we should also have to rank among the great books the Book of Mormon, the Oashpee Bible, the system of Koreshanity, and other contributions to the world's stock of crank literature. If, however, the greatness of a book is to be measured by the amount and value of the new truth therein set forth for the first time, Marx's *Capital* does not deserve to be mentioned in the same breath with Ricardo's works, much less with the greater works of Malthus or Adam Smith.

Whatever merit there may be in the dogma that the economic factors have the leading part in shaping social development and in determining the course of history, and whatever the emphasis that may be properly laid upon this dogma, there is another aspect of "the economic interpretation of history" which deserves especial consideration, and which has been largely neglected in discussions of this topic. As has already been suggested, the "economic interpretation of history" would seem, at first sight, to mean the interpretation of historical facts and materials in the light of one's economic knowledge. If for the term *economic knowledge* could be substituted *knowledge of human society*, this statement of the doctrine would clear up much of the obscurity which exists regarding the relation of the study of economic and social conditions to the study of history. Hitherto the field has been left practically in the hands of the historian or the historical economist who has claimed that a knowledge of history was essential to the understanding of the present economic conditions. It is true in a much stricter sense that a knowledge of the present economic and

social conditions is essential to even the most elementary knowledge of history. What has been overlooked in the modern evolutionary theory of history is the fundamental principle which lay at the basis of the whole evolutionary theory in modern science, namely, the principle that all past development, whether in the field of geology or biology, must be accounted for on the ground of forces and factors now at work, and which can be observed at first hand by the student. Thus a preliminary study of dynamical geology, since Sir Charles Lyell, must precede any attempt at tracing geological history. If we accept the anti-cataclysmic theory of history as the basis of a theory of historical development, we must likewise conclude that a study of the social factors and forces as they exist in the world about us must precede any attempt at the explanation of historical development. One might as well undertake the study of palaeontology without some preliminary knowledge of biology as to undertake the study of history without some preliminary knowledge of economics or sociology. It is in this study of first-hand materials, in the observation of social activities about us, that we must get our clue to the relation of cause and effect in social and political affairs ; and until we have this clue, historical facts are merely so many isolated and unconnected events. The only thing that has saved history in the past from being a mere collection of chance unrelated events is the fact that historians, even without special training, have had some ideas regarding causation in social and political affairs. But this general knowledge which we call common sense, and which belongs within certain limits to every intelligent person, cannot take the place of trained observation and scientific methods of investigation. A student of palaeontology might, from the few general and elementary facts which he has gathered by unscientific observation, do something in his field, but he could by no means expect to compete with the student who has made a study of biology according to scientific methods, and who has some training in scientific observation and reasoning. This is the theory of the economic or social interpretation of history to which we must finally come if we would deserve to be put in the same class with scientists working in other fields. The study of sociology must therefore be the study of the social factors and forces as they are found in the world about us ; and this study will bear the same relation to history that the study of dynamical geology bears to historical geology, or as the study of biology bears to palaeontology. To be sure, historical geology and palaeontology again throw new light upon dynamical geology and upon biology, but it is perfectly clear where the study must begin. The same

principle will apply to sociology and history, and to theoretical and historical economics.

That line of study which is ordinarily called economic theory differs from economic history, not in the methods of reasoning employed, but in the source of information. The one goes directly to the facts of the social and economic life of the surrounding world, while the other goes to historical documents. The one observes phenomena at first hand, the other through the media of historical records of all kinds. The distinction between the theoretical and the descriptive economist is that the one tries to find the causal connection between economic facts which come under his observation, while the other merely tries to describe them. Until one has some elementary notions regarding economic causation he is not in a position even to begin the study of economic history. He would see no more connection between a rise of British consols and Napoleon's defeat at Waterloo than he would see between Napoleon's defeat and an eclipse of the moon. But an opinion regarding economic causation is an economic theory.

What economists and historians need, therefore, is not an opinion as to the relative importance of the various factors which have determined the course of history, but a clear perception of the importance of a first-hand study of the factors and forces in the contemporary social world. Following the suggestion of the anti-cataclysmic theory of geological and biological development, the present writer would like to lay down the following thesis as a challenge :

*Every great historical epoch, and every variety of social organization, must be explained on the basis of factors and forces now at work, and which the student may observe at first hand.*

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## THE WAGE-EARNERS IN THE MANUFACTURING AND MECHANICAL INDUSTRIES OF THE NORTHWESTERN STATES.<sup>1</sup>

THE six northwestern states—Iowa, Minnesota, Montana, North Dakota, South Dakota, and Wisconsin—which form the subject of this discussion, have been divided into two separate groups. Three states—Iowa, Minnesota, and Wisconsin—form the first group. They have

<sup>1</sup> From returns at the Twelfth United States Census, 1900.